Montgomery County Schools

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TO: Board of Education

FROM: Frank Fiorella, Child Nutrition Director

DATE: June 6, 2011

SUBJ: Middle and High School Lunch Price Increase - ACTION ITEM

I have enclosed a PowerPoint presentation and a USDA fact sheet discussing section 205 “Equity in School Lunch Pricing” of the Healthy, Hunger-Free Kids Act of 2010.

Based on the USDA rule, I recommend approval of an increase in the Middle and High School Lunch price of .10 for paid students.

I will review the PowerPoint in detail at the Board meeting. I will be happy to answer any questions you may have.

1. What is the "Equity in School Lunch Pricing" Provision?

- Effective July 1, 2011, section 205 of the Healthy, Hunger-Free Kids Act of 2010 requires school food authorities (SFAs) participating in the National School Lunch Program to provide the same level of support for lunches served to students who are not eligible for free or reduced price lunches (i.e., paid lunches) as they are for lunches served to students eligible for free lunches. The Act directs SFAs to:

    1. Compare the average price charged for lunches served to students not eligible for free or reduced price lunches (i.e., students receiving "paid lunches") to the difference between the higher Federal reimbursement provided for free lunches and the lower Federal reimbursement provided for paid lunches.

    2. If the average paid lunch price is *less than* the difference, an SFA must either gradually adjust average prices or provide non-Federal funding to cover the difference.

2. Why is this provision important?

- Historically, there have been three main sources of funds provided to nonprofit school food service accounts: Federal reimbursements, paid meal revenues, and State and local funding. The Federal reimbursement for paid meals was designed to be minimal in relation to these other sources and has always been substantially less than the reimbursement for free and reduced price meals.

- Research indicates that average prices charged for paid lunches in some SFAs are less than the cost of producing those lunches.

- Pricing paid lunches below the cost of production effectively increases Federal subsidies for higher income children because Federal funds intended for free and reduced price lunches are being used to help fill in the gap between what a paid lunch costs and what the school receives for it. Children across all income levels are negatively affected by limiting the funds available to provide nutritious meals.

- This provision will help ensure that schools have funding available to support serving nutritious meals to all students.

3. Which SFAs will be affected by this provision?

- Not all SFAs will be required to adjust prices or find alternative sources of funding for paid lunches. Applying this provision using current Federal reimbursement rates, SFAs in the continental U.S. now charging, on average, $2.46 or more for a paid lunch would not be required to adjust prices in school year 2011-12.

- An SFA in the continental U.S. currently charging, on average, less than $2.46 for a paid lunch may be required to either gradually increase prices or provide additional non-Federal support for its lunches. To determine how much, these SFAs must calculate an adjusted average paid lunch price.

    - For school year 2011-2012, the adjusted average price is the average price charged in school year 2010-2011 increased by a factor equal to two percentage points above the inflation rate and may be rounded down to the nearest 5 cents. For school year 2011-2012, the inflation factor is 1.14 percent. Combined with the required annual 2 percentage point increase, the total adjustment required is 3.14 percent.

    - This year's relatively low food price inflation, combined with the ability to round down, means that for this coming school year, SFAs in the continental U.S. with lunch prices below $2.46 in School Year 2010-11 would have to increase lunch prices by only five cents or not at all.

- In general, when the adjusted average price is more than the current price, an SFA would have to either increase its average paid lunch price to the adjusted average price or provide additional non-Federal support for its paid lunches. The law caps the required increase in the average paid lunch price at 10 cents in any year. Therefore, an SFA with a significant gap between its price and the required level will have several years to make adjustments to its prices and/or provide other funding to the SFA account in order to meet this requirement.

4. Will SFAs have control over establishing paid lunch prices?

- SFAs maintain significant local control in establishing the prices for paid lunches. SFAs may maintain low paid lunch prices if they ensure that sufficient funding from non-Federal sources is added to the school food service account to cover the required revenue. SFAs also may vary paid lunch prices by school (for example, charging lower prices in schools located in lower-income areas or charging different prices in elementary and secondary schools), as long as the average revenue requirement is met across the SFA.

5. Will families with incomes slightly above the threshold for free and reduced price meals be disproportionately impacted by this provision?

- This provision does not require that additional revenue be secured through paid lunch price increases. Revenue can be generated from any non-Federal source.

- By limiting the maximum required annual average price increase to 10 cents, the Act allows for a gradual increase in paid lunch prices, thereby minimizing the impact on families with incomes just above the level eligible for reduced price meals.

- SFAs can also choose to vary the price of paid lunches by school as long as the average paid lunch price across the district meets the requirement. Therefore, SFAs could choose to keep lunch prices lower in schools with higher concentrations of low-income students.

- USDA's analysis suggests that the effect on participation of a 5 or 10 cent increase in the price of a paid lunch is very small – less than a 5 percent difference even after many years of implementation. However, USDA will carefully monitor the implementation of this provision and any impact on participation.

Equity in School Lunch Pricing Section 205

Montgomery County Schools
Child Nutrition
June 6, 2011

Equity in School Lunch Pricing

- Section 205 of the 2010 Child Nutrition Reauthorization Act: Equity in School Lunch Pricing
- Intent: To ensure that sufficient funds are provided to the food service account for paid lunches
- Effective July 1, 2011

Paid Meal Equity Overview

- Schools will compare the average price for paid lunches to the difference between the per meal Federal reimbursement for free and paid lunches
  - The current free meal reimbursement rate is $2.72
  - The current paid meal reimbursement rate is $0.26
  - $2.72 – $0.26 = $2.46 difference

Calculating Average Paid Lunch Price

- If a school food authority's average paid lunch price is $2.46 or more, the school is in compliance and no further action is needed. If less is less than $2.46, it must increase the average paid lunch price by the inflation factor percentage (3.14%)

- Montgomery County Schools Average Lunch Price is $1.83
- $1.83 * 3.14% = 0.06 cents. Round down to the nearest 5 cent increment

Recomendation

- Increase Middle & HS Lunch Price to $2.00
- Elementary School Lunch Price to remain at current price of $1.75

- 1161 Paid Students

- 337 Middle & HS Paid Students eat daily.

Impact on families

- The maximum required annual increase per child would be:
  - ✓ Example: A child attends a school of which the paid lunch price increased by 10 cents. The child eats every day. The child would pay about $18 extra for the year
    - ✓ 180 * 10 cents = $18

Questions?